

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

**Baldwin Public Library**  
**(a component unit of the**  
**City of Birmingham, Michigan)**

---

**Financial Report**  
**June 30, 2007**

# Baldwin Public Library

---

## Contents

<b>Independent Auditor's Report</b>	<b>I</b>
<b>Basic Financial Statements</b>	
Balance Sheet/Statement of Net Assets	2
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	3
Budgetary Comparison Schedule - General Fund	4
Notes to Financial Statements	5-11



**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

To the Board of Directors  
Baldwin Public Library

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Birmingham, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2007, which expressed unqualified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Those basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Birmingham, Michigan's basic financial statements. The accompanying financial statements of Baldwin Public Library are presented for the purpose of additional analysis and are not a required part of the City's basic financial statements. The information presented has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

November 7, 2007



# Baldwin Public Library

## Balance Sheet/Statement of Net Assets June 30, 2007

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual	Component Unit - Baldwin Public Library Trust
<b>Assets</b>				
Cash and investments	\$ 2,431,797	\$ -	\$ 2,431,797	\$ 934,339
Due from other governmental units	58,456	-	58,456	-
Capital assets (Note 3)	-	2,901,676	2,901,676	-
Total assets	<u>\$ 2,490,253</u>	2,901,676	5,391,929	934,339
<b>Liabilities</b>				
Accounts payable	\$ 118,953	-	118,953	-
Accrued and other liabilities	188,391	-	188,391	-
Total liabilities	307,344	-	307,344	-
<b>Fund Balance - Unreserved</b>	2,182,909	(2,182,909)		
Total liabilities and fund balance	<u>\$ 2,490,253</u>			
<b>Net Assets</b>				
Invested in capital assets		2,901,676	2,901,676	-
Unrestricted		2,182,909	2,182,909	934,339
Total net assets		<u>\$ 5,084,585</u>	<u>\$ 5,084,585</u>	<u>\$ 934,339</u>

# Baldwin Public Library

## Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2007

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual	Component Unit - Baldwin Public Library Trust
<b>Revenue</b>				
Property tax	\$ 2,916,243	\$ -	\$ 2,916,243	\$ -
Penal fines	46,348	-	46,348	-
State grants	24,313	-	24,313	-
State inventory tax reimbursement	13,992	-	13,992	-
Community contracts	638,360	-	638,360	-
Fines and fees	86,883	-	86,883	-
Miscellaneous	15,044	-	15,044	3,712
Investment earnings	166,523	-	166,523	113,183
Contributions	-	-	-	44,099
Total revenue	3,907,706	-	3,907,706	160,994
<b>Expenditures</b>				
Correspondence	47,557	-	47,557	-
Personnel services	2,071,085	-	2,071,085	-
Supplies and maintenance	47,375	-	47,375	16,665
Professional and contractual	202,426	-	202,426	945
Communications	14,144	(11,610)	2,534	-
Transportation and parking	22,911	-	22,911	-
Utilities	97,643	-	97,643	-
City maintenance services	105,880	-	105,880	-
Public services	13,964	-	13,964	-
Books	250,464	(205,594)	44,870	17,401
Periodicals	22,719	(18,649)	4,070	-
Audiovisual	189,564	(155,604)	33,960	-
Computer service	33,933	(27,854)	6,079	-
Miscellaneous	204,080	-	204,080	35,939
Capital outlay	80,040	(65,701)	14,339	-
Depreciation	-	593,291	593,291	-
Gain on disposal of assets	-	461	461	-
Total expenditures	3,403,785	108,740	3,512,525	70,950
<b>Change in Fund Balance/Net Assets</b>	503,921	(108,740)	395,181	90,044
<b>Fund Balance/Net Assets</b>				
Beginning of year	1,678,988	3,010,416	4,689,404	844,295
End of year	<u>\$ 2,182,909</u>	<u>\$ 2,901,676</u>	<u>\$ 5,084,585</u>	<u>\$ 934,339</u>

# Baldwin Public Library

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Prior Year Actual - Modified Accrual	Current Year - Modified Accrual			
		Originally Adopted Budget	Amended Budget	Actual	Variance
<b>Revenue</b>					
Property tax	\$ 2,779,578	\$ 2,927,720	\$ 2,927,720	\$ 2,916,243	\$ (11,477)
Penal fines	48,113	45,000	45,000	46,348	1,348
State grants	22,218	23,000	23,000	24,313	1,313
Local grants	1,500	-	-	-	-
State inventory tax reimbursement	13,992	13,990	13,990	13,992	2
Community contracts	605,273	637,820	637,820	638,360	540
Fines and fees	93,897	91,000	91,000	86,883	(4,117)
Miscellaneous	16,193	12,500	12,500	15,044	2,544
Investment earnings	67,246	89,780	89,780	166,523	76,743
Total revenue	3,648,010	3,840,810	3,840,810	3,907,706	66,896
<b>Expenditures</b>					
Correspondence	47,143	82,000	82,000	47,557	34,443
Personnel services	1,995,354	2,272,060	2,239,551	2,071,085	168,466
Supplies and maintenance	40,163	68,000	68,000	47,375	20,625
Professional and contractual	168,719	267,750	297,750	202,426	95,324
Communications	9,265	16,000	16,000	14,144	1,856
Transportation and parking	20,758	30,750	30,750	22,911	7,839
Utilities	97,978	126,000	126,000	97,643	28,357
City maintenance services	103,550	125,000	125,000	105,880	19,120
Public services	9,068	17,000	17,000	13,964	3,036
Books	271,071	285,550	285,550	250,464	35,086
Periodicals	21,881	25,850	25,850	22,719	3,131
Audiovisual	188,631	212,750	212,750	189,564	23,186
Computer service	36,387	38,000	38,000	33,933	4,067
Miscellaneous	97,838	128,530	131,039	204,080	(73,041)
Capital outlay	87,328	122,020	151,705	80,040	71,665
Total expenditures	3,195,134	3,817,260	3,846,945	3,403,785	443,160
<b>Change in Fund Balance</b>	<b>\$ 452,876</b>	<b>\$ 23,550</b>	<b>\$ (6,135)</b>	<b>\$ 503,921</b>	<b>\$ 510,056</b>

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Baldwin Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

#### **Reporting Entity**

The Library is governed by a six-member board elected by the citizens of Birmingham, Michigan. It is also reported as a component unit of the City of Birmingham, Michigan.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Accordingly, these statements include the activity of the Baldwin Public Library Trust (the "Trust"). The Trust is a legally separate, tax-exempt entity that acts primarily as a fund-raising organization to supplement the resources that are available to the Baldwin Public Library in support of its programs.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Library's General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Service contract revenue meets the availability criterion and is accrued as of year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.



### Note I - Summary of Significant Accounting Policies (Continued)

In addition to presenting information for the General Fund on the modified accrual basis (as budgeted), the financial statements present information for the Library using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value as of June 30, 2007, based on quoted market prices.

**Capital Assets** - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Library building is owned by the City of Birmingham, Michigan (the "City") and is not reported in these statements; the debt related to the building is also reported in the City's financial statements.

Building improvements, furniture and fixtures, equipment, library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Building improvements	15 years
Furniture and fixtures	10 years
Library books, periodicals, etc.	10 years
Equipment	5 years

# Baldwin Public Library

## Notes to Financial Statements June 30, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave)** - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. It is not the Library's policy to pay out any unused sick benefits upon separation from employment (retirement, termination, etc.); therefore, sick benefits are not accrued. All vacation is accrued when incurred in the government-wide financial statements. A liability for vacation amounts is reported in governmental funds only for employee terminations as of year end.

**Property Taxes** - Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls. The Library's property tax revenue for the fiscal year ended June 30, 2007 is based on the 2006 levy, which was billed July 1, 2006.

The 2006 taxable value totaled \$1,971,748,670; the Library's millage rate was 1.4848 mills, which resulted in property tax billings of \$2,927,652. The amount recognized as revenue reflects reductions for Board of Review, Michigan Tax Tribunal, and delinquencies, as well as recoveries of prior year delinquencies.

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

As discussed in Note 1, the General Fund is presented on the modified accrual basis of accounting, and the Library as a whole (which consists only of its General Fund) is also presented on the full accrual basis. The following is a reconciliation of fund balance on the modified accrual basis of accounting to net assets presented on the full accrual basis:

<b>Total Fund Balance - Modified Accrual Basis</b>	<b>\$ 2,182,909</b>
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>2,901,676</u>
<b>Total Net Assets - Full Accrual Basis</b>	<b><u>\$ 5,084,585</u></b>

# Baldwin Public Library

## Notes to Financial Statements June 30, 2007

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

<b>Net Change in Fund Balances - Modified Accrual Basis</b>	<b>\$ 503,921</b>
Amounts reported in the statement of activities are different because:	
Capital outlay is not an expense of the current period	485,012
Capital costs are allocated over their estimated useful lives as depreciation	(593,291)
The disposal of capital assets is reported as a charge to expenses	<u>(461)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 395,181</u></b>

### Note 3 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Depreciable capital assets:				
Furniture and fixtures	\$ 479,228	\$ 8,736	\$ 2,711	\$ 485,253
Equipment	794,501	76,223	222,965	647,759
Building improvements	869,520	5,516	-	875,036
Books, periodicals, etc.	<u>8,055,355</u>	<u>394,537</u>	<u>60,283</u>	<u>8,389,609</u>
Subtotal	10,198,604	485,012	285,959	10,397,657
Less accumulated depreciation	<u>7,283,688</u>	<u>593,291</u>	<u>285,498</u>	<u>7,591,481</u>
Subtotal	2,914,916	(108,279)	461	2,806,176
Fine arts - Not subject to depreciation because they are inexhaustible	<u>95,500</u>	<u>-</u>	<u>-</u>	<u>95,500</u>
Net capital assets	<u>\$ 3,010,416</u>	<u>\$ (108,279)</u>	<u>\$ 461</u>	<u>\$ 2,901,676</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$593,291 for the year ended June 30, 2007.

# Baldwin Public Library

## Notes to Financial Statements June 30, 2007

### Note 4 - Budget Information

The annual budget is prepared by the director and adopted by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Library board is included in the basic financial statements.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Baldwin Public Library incurred expenditures that were in excess of the amounts budgeted in the following line item:

	Amended		
	Budget	Actual	Variance
Miscellaneous	\$ 131,039	\$ 204,080	\$ (73,041)

The unfavorable expenditure variance relates to a transfer of monies to the City of Birmingham for administrative services that are charged to the Library.

### Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library participates with the City in the Michigan Municipal League program for claims relating to workers' compensation, general liability, and property loss and participates in the City's self-insurance program for employee health and dental claims.

The Michigan Municipal League program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 5 - Risk Management (Continued)**

Through the City, the Library estimates the liability for general liability and employee health and dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the City's Risk Management Internal Service Fund. Changes in the estimated liability for the City for the past two fiscal years are presented in the City's June 30, 2007 annual financial report.

### **Note 6 - Pension Plan**

**Plan Description** - The Library participates in the City of Birmingham Employees' Retirement System (the "System"), a single-employer defined benefit pension plan that is administered by the City of Birmingham Employees' Retirement System Pension Board; this plan covers all full-time employees of the City and the Library. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at the City of Birmingham, 151 Martin, P.O. Box 3001, Birmingham, Michigan 48009.

**Funding Policy** - The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the Library employees of 3 percent to 4 percent of their covered salary. The funding policy provides for periodic employer contributions at actuarially determined rates. In accordance with these requirements, the City contributed \$462,036 during the current year, and the employees contributed \$360,770.

**Annual Pension Cost** - The annual required contribution was determined as part of an actuarial valuation at June 30, 2006, using the entry age actual cost method. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increases of 4 percent per year, (c) additional projected salary increases ranging from 0.0 percent to 3.8 percent per year depending on age and seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The full funding credit is being amortized as a level percentage of payroll over a period not less than 15 years. Six-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2007 annual financial report.

### **Note 7 - Postemployment Benefits**

The Library provides healthcare benefits to all full-time employees who retire at age 60 with 15 or more years of full-time service in accordance with Library board resolution. Currently, 14 retirees are eligible. The Library includes pre-Medicare retirees in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Through the City, the Library estimates the liability for postemployment benefits that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the City's Retiree Health Care Fund. The estimated liability for the City for the fiscal year is presented in the City's June 30, 2007 annual financial report.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the full accrual columns of the financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.